

DECISION MEMORANDUM OF THE BOARD OF DIRECTORS ACTING
WITHOUT A QUORUM

Date: March 14, 1994
No. 94-DM -06

ISSUE:

The Federal Home Loan Bank of Chicago ("Chicago Bank") has requested the Federal Housing Finance Board ("Finance Board") to approve an increase in Affordable Housing Program ("AHP") funds awarded to Security Bank ("Security") on behalf of the New Covenant Housing Corporation ("New Covenant") in order to pay for increased project costs and changes in financing sources.

FACTORS CONSIDERED:

Subsection 10(j) of the Federal Home Loan Bank Act ("Bank Act") (12 U.S.C. § 1430(j)) requires that each Federal Home Loan Bank ("Bank") establish an AHP.

The Finance Board has adopted regulations for the operation of the AHP by each Bank, codified at 12 C.F.R. Part 960. The AHP regulations require that the Finance Board determine which applications for AHP awards are to be funded (12 C.F.R. § 960.5(f)).

On December 16, 1992, the Finance Board approved an AHP application forwarded by the Chicago Bank from Security for AHP subsidy of \$152,000 to be used to pay part of the development costs for the Parkwest Townhouse project sponsored by New Covenant.

Subsequent to the approval of the AHP award; there have been unanticipated changes in the sources of financing available to the project and increases in project costs, including the need for a contingency fund to cover potential increases in lumber prices and the interest rate on a bridge loan.

The Chicago Bank and Security have requested a modification in the AHP direct subsidy award to increase the amount of AHP subsidy from \$152,000 to \$202,000 to partially cover the increase in project costs and to provide a contingency fund for potential increases in bridge loan interest rates and lumber prices.

The Chicago Bank and Security have also requested approval of an increase from 17 to 28 in the number of units that will be affordable to households earning 60 percent or less of the area median income.

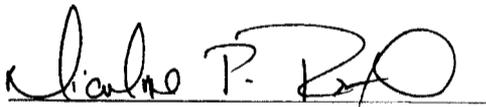
The reduction in the application's score due to the increase in AHP subsidy necessary for the project is offset by the increases in the application's score due to increasing the number of units that would be affordable to households earning 60 percent or less of the area median income, resulting in no change in the overall score of this application.

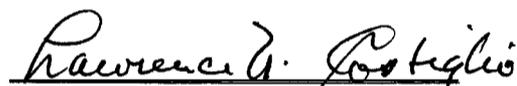
The Housing Finance Directorate staff recommends: (1) approval of the increase in subsidy from \$152,000 up to a total AHP subsidy of \$202,000 in order to pay for unanticipated changes in the financing sources, increases in project costs, and to allow for a contingency fund to cover potential increases in lumber prices and the bridge loan interest rate; and (2) approval of the increase from 17 to 28 in the number of units affordable to households earning 60 percent or less of the area median income.

The Finance Board reviewed the request to increase the AHP award to determine whether it was in accordance with the Bank Act, the AHP regulations, and existing policy.

DECISION

Based on the factors set forth above and the authority provided in 12 C.F.R. § 960.5(f), the increase from 17 to 28 in the number of units affordable to households earning 60 percent or less of the area median income, and an increase in AHP funds up to a total of \$202,000 to pay for increased development costs, to compensate for changes in the project financing and to cover potential lumber price and bridge loan interest rate increases for the Parkwest Townhouse project sponsored by New Covenant are approved, subject to the review by the Chicago Bank of final project costs and a determination by the Chicago Bank that the additional funds are necessary for successful project completion.


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